# MICRONESIAN STATUS NEGOTIATIONS

## HEARING

BEFORE THE

SUBCOMMITTEE ON
EAST ASIAN AND PACIFIC AFFAIRS

OF THE

## COMMITTEE ON FOREIGN RELATIONS
## UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

---

DECEMBER 10, 1982

---

Printed for the use of the Committee on Foreign Relations

U.S. GOVERNMENT PRINTING OFFICE
13-798 O WASHINGTON : 1983

5381-13

## COMMITTEE ON FOREIGN RELATIONS

CHARLES H. PERCY, Illinois, *Chairman*

| | |
|---|---|
| HOWARD H. BAKER, JR., Tennessee | CLAIBORNE PELL, Rhode Island |
| JESSE HELMS, North Carolina | JOSEPH R. BIDEN, JR., Delaware |
| S. I. HAYAKAWA, California | JOHN GLENN, Ohio |
| RICHARD G. LUGAR, Indiana | PAUL S. SARBANES, Maryland |
| CHARLES McC. MATHIAS, JR., Maryland | EDWARD ZORINSKY, Nebraska |
| NANCY L. KASSEBAUM, Kansas | PAUL E. TSONGAS, Massachusetts |
| RUDY BOSCHWITZ, Minnesota | ALAN CRANSTON, California |
| LARRY PRESSLER, South Dakota | CHRISTOPHER J. DODD, Connecticut |

EDWARD G. SANDERS, *Staff Director*
GERYLD B. CHRISTIANSON, *Minority Staff Director*

---

### SUBCOMMITTEE ON EAST ASIAN AND PACIFIC AFFAIRS

S. I. HAYAKAWA, California, *Chairman*

| | |
|---|---|
| HOWARD H. BAKER, JR., Tennessee | JOHN GLENN, Ohio |
| JESSE HELMS, North Carolina | PAUL E. TSONGAS, Massachusetts |
| RUDY BOSCHWITZ, Minnesota | ALAN CRANSTON, California |

# CONTENTS


| | Page |
|---|---|
| Hearing day: | |
| December 10, 1982 | 1 |
| Statement of: | |
| Zeder, Ambassador Fred M., II, the President's Personal Representative for Micronesian Status Negotiations, accompanied by Richard W. Teare, U.S. Deputy Representative for Micronesian Status Negotiations, and James D. Berg, Political and Economic Officer, Office of Micronesian Status Negotiations | 2 |
| Insertions for the record: | |
| Prepared statement of Ambassador Fred M. Zeder II | 7 |
| Ambassador Zeder's response to an additional question submitted for the record | 19 |

# MICRONESIAN STATUS NEGOTIATIONS

FRIDAY, DECEMBER 10, 1982

UNITED STATES SENATE,
SUBCOMMITTEE ON EAST ASIAN AND PACIFIC AFFAIRS
OF THE COMMITTEE ON FOREIGN RELATIONS,
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 4221, Dirksen Senate Office Building, Hon. S. I. Hayakawa (chairman of the subcommittee) presiding.

Present: Senator S. I. Hayakawa.

Senator HAYAKAWA. The subcommittee will come to order.

The purpose of our meeting this morning is to hear a briefing by Ambassador Fred M. Zeder II, the President's Personal Representative for Micronesian Status Negotiations.

I welcome you back to the subcommittee Ambassador Zeder. We are delighted to have you with us again. We shall proceed to your briefing in a moment, after I make a few remarks.

I am happy that you have come before us to provide a status report on your negotiations, Mr. Ambassador. As you know, your staff and the committee staff were in contact during much of the first session of the 97th Congress. We were pleased with this interchange of information, and I believe it served both your purposes and ours.

Our contact has been less during this session, and our respective purposes can only suffer. It is extremely difficult for the Senate to carry out its constitutional duties, particularly in the instance of the dissolution of the Trust Territory of the Pacific Islands, a situation almost without precedent, unless we are fully informed on the issues.

As some of my colleagues have commented, we want to be in on the takeoff if we are expected to be in on the crash landing. So I say again that I am happy that you have responded, though somewhat tardily, to our invitation of January 29, 1982.

In the past 2 years that I have had the honor of presiding over the Subcommittee on East Asian and Pacific Affairs, I have come to realize two things in particular: First, how little we in the United States know about the vast Pacific Basin, its people, and its incredible resources. We tend to be oriented toward Europe and the major threat to our interests on that continent, the Soviet Union, while forgetting that the Soviets can threaten our interests from its eastern shores, the Pacific Ocean, as well.

Second, there are many incorrect perceptions of the United States among our friends and allies in the Pacific.

All too often, nations in and around the Pacific Basin see us only as a superpower engaged in superpower politics and confrontation, in which they do not wish to become involved. They fail to recognize the vast potential of the American people to assist in the development of the resources of the area through the expansion of investment and free trade, the encouragement of democratic ideals, and the exchange of information about their own ancient cultures and our young one.

It is my hope that we have had an exchange of information and ideas during my tenure as chairman which will help dispel the lack of understanding among our people and the people of the Pacific Basin.

This morning, Ambassador Zeder, you will contribute further toward this process, and I look forward to learning from you how we shall go about entering into the relationship of free association with the people of Micronesia.

Micronesia sits astride the crossroads of the Pacific, so occupies an important strategic position. Its people, though not numerous, have an ancient culture and a varied history. They have been under our tutelage for many years, and we will need to know more about them.

With this in mind, and if none of my colleagues have comments to make, I invite you to present your briefing, Mr. Ambassador.

**STATEMENT OF AMBASSADOR FRED M. ZEDER II, THE PRESIDENT'S PERSONAL REPRESENTATIVE FOR MICRONESIAN STATUS NEGOTIATIONS, ACCOMPANIED BY RICHARD W. TEARE, U.S. DEPUTY REPRESENTATIVE FOR MICRONESIAN STATUS NEGOTIATIONS, AND JAMES D. BERG, POLITICAL AND ECONOMIC OFFICER, OFFICE OF MICRONESIAN STATUS NEGOTIATIONS**

Ambassador ZEDER. Thank you, Mr. Chairman.

I want to say first that it is a great pleasure to be here today. It is 10 months and 2 days since I appeared in this room for my confirmation, and we have made a great deal of progress since that time. I am particularly pleased to be reopening formally our relations with the Senate in the coming months.

Now that the Compact has been signed by all three of the governments in the Pacific, we will be concentrating our efforts on briefing both the Senate and the House on the terms of the Compact and the progress we are making on it.

Mr. Chairman, you may prefer that, rather than read my entire briefing, I just touch on some of the highlights. I would be pleased to do that.

Senator HAYAKAWA. It is a question of time. I would be very glad to hear the entire briefing.

Ambassador ZEDER. Perhaps in view of the fact that you do have this text, and since we have some constraints on time, you would prefer to move into questions.

Senator HAYAKAWA. How long is your statement?

Ambassador ZEDER. It is about seven or eight pages. I can highlight a number of points that might be of particular interest.

Senator HAYAKAWA. Seven or eight pages is not that bad. That is at most 25 minutes. Is that correct?

Ambassador ZEDER. I think it might take about that time to read it, but I could skip through it and hit the high spots, if you would like.

Senator HAYAKAWA. All right. That will be fine.

Ambassador ZEDER. This is a briefing on the Micronesian political status negotiations to the Senate Committee on Foreign Relations, dated December 10, 1982.

In the opening section, I give some history, with the important highlights: The negotiations resumed in October 1981, and resulted in some revisions to the initialed Compact. As you recall, the Compact had been initialed during the Carter administratio and then, the Reagan administration after reviewing it for a number of months, accepted the initialed version. I came aboard to see if we could get the Compact itself and certain subsidiary agreements signed.

We have been successful over the last few months in signing with all three of the governments: The Marshall Islands, Palau, and the Federated States of Micronesia [FSM]. Palau, the FSM, and the Marshalls now have all signed the Compact and its subsidiary agreements. We are doing a little fine tuning right now.

As a matter of fact, I am leaving tomorrow for Honolulu for another session with the Marshall Islands, and we are hopeful that at that time we will be able to set a date for the plebiscite. We have set a date for the Palau plebiscite. That date is January 11 of next year. And there is an education program going on out there now.

[Note: The date was later changed to February 10, 1983.]

Ambassador ZEDER. I would imagine a plebiscite can be held in the Marshall Islands sometime early in the year, in February or March. The Federated States are probably going to take a little longer to conduct their education program prior to the plebiscite. One of the reasons for that is the great distances between the islands. It is about 1,400 miles between Yap and Kosrae.

They speak nine different languages in the FSM, you would be interested to know, and translating these documents into those languages is taking a little longer, but that by the second quarter of the next year all three plebiscites can be completed.

The Compact has this in common for all three Micronesian governments, that the islands will enjoy full internal self-government and very substantial authority in their foreign affairs, but responsibility and authority for their defense would be vested in the United States. This is for a minimum period of 15 years in the case of the Marshall Islands and the Federated States of Micronesia and 50 years in the case of Palau.

Under the Compact, the United States would provide agreed amounts of grant financial assistance and certain Federal programs and services for the same minimum periods. It is interesting to note that about 40 percent of the grant funding, which in turn is the major part of the Compact funding, would be earmarked for economic development.

Another point here is that——

Senator HAYAKAWA. May I interupt for a moment?

Ambassador ZEDER. Yes.

Senator HAYAKAWA. This relationship of what you call free association has no precedent in U.S. constitutional practice, and few precedents in international law. I would like you to elaborate on that. There is no precedent in U.S. constitutional practice.

Ambassador ZEDER. No, Mr. Chairman, there is not, nor is there any precedent in——

Senator HAYAKAWA. It is not a territory. They are not states. They are not colonies.

Ambassador ZEDER. That is true. This is all new ground we are plowing. We have nothing like this in treaties or in international agreements.

Senator HAYAKAWA. In the relationship of free association, does Britain have it with any part of the world, or the Netherlands, or France? Does anyone else have this free association relationship?

Ambassador ZEDER. I think the closest thing might be New Zealand's relationship with the Cook Islands. That is the closest thing that we can cite, although that relationship is quite different.

Senator HAYAKAWA. And does this involve, of necessity, economic aid?

Ambassador ZEDER. Yes, sir.

Senator HAYAKAWA. Military defense, when necessary?

Ambassador ZEDER. Yes, sir. That is the basis of it, really. We have what we call mutual security agreements that go with the Compact, with all three governments, and they are in perpetuity. Under those documents, we agree to protect them from any unfriendly foreign powers that would come in, and the Micronesian Government at the same time would cooperate with the United States over a long period of time, and keep the islands free.

Senator HAYAKAWA. In the case of a free associated state—you do not call it a state, and you do not call it a territory. Do you call it a nation?

Ambassador ZEDER. They will be sovereign nations. Yes, sir.

Senator HAYAKAWA. OK. In the case of a free associated nation, associated with the United States, a citizen from that nation would have the right to travel to the United States and have a passport like a citizen from any other foreign country with which we are on friendly terms?

Ambassador ZEDER. Yes, sir.

Senator HAYAKAWA. And we would have a right to travel in their country?

Ambassador ZEDER. Yes. They have free access to the United States. It will be very similar to the arrangements we have with Puerto Rico, with the Virgin Islands, or with Guam, for access to the United States.

Senator HAYAKAWA. Thank you. Please proceed.

Ambassador ZEDER. You mentioned money. The estimated cost to the United States over the initial 15-year period will be approximately $2.2 billion before adjustment for inflation. Funding for Palau during the 16th through the 50th years would be provided entirely out of an initial investment of $60 million that will be made in the 1st year.

This figure of $2.2 billion over 15 years compares with a projected cost of $2.1 billion for a continuation of the trusteeship over the same period, assuming that the same kinds of programs now in op-

eration in the trust territory were to be continued. Because a number of specific Compact grants would be funded in the first 2 or 3 years of free association, there would be no saving in those years, but from the 4th year onward the savings would begin to accrue.

So, over the long period, 15 years, there is a saving of the difference between $2.2 billion and $3.1 billion, as we project it now.

I would like to return for a moment to defense matters in a little more detail. The Compact and its subsidiary agreements would permit the United States to continue to operate the Kwajalein missile range for a period of up to 30 years, and would provide us contingency use rights in Palau for military purposes. The rights in Palau would go for 50 years.

Senator HAYAKAWA. Where is the Kwajalein missile range?

Ambassador ZEDER. The Kwajalein missile range, sir, is in the Marshall Islands.

Senator HAYAKAWA. Yes; I see it. Thank you.

Ambassador ZEDER. It is about 4,000 miles from the beautiful State of California, and missiles are fired for test purposes from Vandenburg Air Force Base into the Kwajalein lagoon, which is the largest lagoon in the world. The missiles of course carry dummy warheads.

Senator HAYAKAWA. How far is that from Honolulu?

Ambassador ZEDER. From Honolulu? Let's see. It is about 4,000 miles. Honolulu is 2,040 miles from California, and it is about another 2,000 beyond Honolulu.

Senator HAYAKAWA. And from Tokyo?

Ambassador ZEDER. From Tokyo, I guess it would be about 4,000 miles.

Senator HAYAKAWA. Thank you.

Ambassador ZEDER. It is a big Pacific Ocean. There is a lot of water out there. In Palau, we will have rights to a small, exclusive-use area; a larger, adjacent non-exclusive area for military training; joint use of the two existing airfields in Palau; and use of a portion of the harbor there. These are all provided for in their agreement with us.

It should be stressed that these are contingency rights, and that the United States has no present intention to establish military facilities in Palau. There is no comparable reservation of use rights in the FSM. We have no comparable land-use requirements in the FSM. The agreement I have just described is exclusively with Palau.

In addition, the United States undertakes in the Compact to defend the freely associated states as the United States and its citizens are defended for the minimum periods mentioned earlier, 15 years in the case of the Marshall Islands and the FSM, and 50 years in the case of Palau. For the same minimum period, the United States would have the right after consultation to disapprove any action by any of the governments which in our view compromise our ability to provide such defense.

Further, the United States under the Compact has the right to foreclose use of the territory of the freely associated states by the military forces or for military purposes, of any third nation. That right would extend in each jurisdiction until otherwise mutually

agreed. In return, the United States would, for the same period, guarantee the defense of each of these states on a basis comparable to that which underlies our mutual security agreements with our closest allies.

The intent of this provision is to insure that the territory of Micronesia may never again be used for the purpose of aggression against the United States or against the Micronesians themselves, as it was in World War II.

There is another point here that might be of interest, and it concerns some special negotiating issues. The constitution adopted by the electorate of Palau in July 1980, contained three provisions which, if literally applied, would have made it impossible for the United States to enter into free association with Palau. They concern the banning of nuclear, chemical, biological, and other substances; a very extensive claim of maritime sovereignty, which would have brought Palau into the conflict with neighboring states; and the use of rights of eminent domain by the Government of Palau.

The Palauan Constitution itself provides remedies for the first two of these issues, which have been resolved through signed agreements related to the Compact. The third issue is resolved in the agreement on military use and operating rights, whose contingency use provisions are summarized above.

There is another point here that might be of interest. In the case of the Marshall Islands, the Compact undertakes to make a comprehensive settlement of all claims arising out of nuclear testing programs which the United States conducted at Bikini and Enewetak Atolls in the Northern Marshalls from 1946 to 1958, as well as to meet the intent of existing U.S. legislation on medical treatment of persons affected by the programs, and to continue to provide supplemental food to them for a number of years.

The subsidiary agreement to this effect provides about $150 million in payments and programs, and if approved by the Marshalls and funded by the Congress, would also have the effect of eliminating or mooting, if you will, about $7 billion in claims against the United States. That was the extent of our liability as alleged in the class-action claims and suits filed in the U.S. courts.

The administration regards this signed agreement as entirely satisfactory. However, President Kabua of the Marshall Islands has proposed some revisions to it, and that is why I will be leaving tomorrow for Honolulu, to discuss this issue with him. And again, we hope that we will be able to resolve that issue and move on to the question of a date for the plebiscite in the Marshalls.

As I mentioned earlier, the first plebiscite will take place in Palau on Tuesday, January 11. We spent a lot of time out there recently, and we are very pleased with the educational program that is going on, and we have asked the United Nations to send an observer mission there. I think the mission will leave New York on New Year's Day, arrive in Guam on January 3, and reach Palau by January 4, to see how the information program is going and watch the voting in the plebiscite.

[NOTE.—These dates were subsequently adjusted.]

There is a three-phased operation in the approval of the Compact. The first step was negotiating with the governments of the

islands and working out the details of the Compact with them, getting their approval. The next step will be, as I mentioned, the plebiscites, at which time the voice of the people will be heard.

Following that, we will submit the Compact to the Congress of the United States, to the Senate and the House, and inform you of the results of the voting. We hope to gain approval from the House and the Senate, and then we move on to the United Nations, where we will hope to receive its blessing on the package.

I think that covers the highlights and if you have any questions, Mr. Chairman, I would be glad to try to answer them.

[Ambassador Zeder's prepared statement follows:]

PREPARED STATEMENT OF AMBASSADOR FRED M. ZEDER II

1. HISTORY

Negotiations began in 1969. The United States offered territorial status to the people of the Trust Territory of the Pacific Islands, which their elected representatives generally rejected in favor of a looser, but still close, relationship known as free association. (The United States has administered the island since World War II and, since 1947, under a Trusteeship Agreement with the United Nations.)

The exception was the people of the Northern Mariana Islands, who in 1972 began separate negotiations with the United States for territorial status, completed in 1975 in the "Covenant to Establish a Commonwealth . . . in Political Union with the United States" (Public Law 94-241 of March 24, 1976).

Negotiations for this status of free association, which the Micronesians themselves had proposed, continued throughout the 1970's under three administrations. By 1978, as the result of action by the remaining districts of the Trust Territory on a draft constitution for a unified Micronesia, three separate entities had emerged—Palau, the Marshall Islands, and the Federated States of Micronesia (FSM)—and the United States had agreed to negotiate with each of them for a common relationship whose provisions would be set forth in a document known as the Compact of Free Association.

The Compact and its first several related agreements were initialed, but not signed, in October and November 1980.

This Administration, upon assuming office, conducted a comprehensive review of policy toward the Trust Territory and in September 1981 determined that the Trusteeship should indeed be terminated and that the politicial status negotiations should be concluded on the basis of the initialed Compact.

Negotiations resumed in October 1981 on some revisions to the initialed Compact and on the remaining agreements related to it. The negotiations were essentially concluded when I signed the Compact and its related documents with the President of the Marshall Islands on May 30, 1982, and with the chief negotiators for Palau and the Federated States of Micronesia on August 26 and October 1, 1982, respectively.

2. WHAT THE COMPACT PROVIDES

The relationship of free association has no precedent in U.S. constitutional practice and few precedents in international law. Essentially, it would create three sovereign states in the western Pacific which would enjoy full internal self-government and very substantial authority in foreign affairs but would have vested in the United States full responsibility and authority for their defense for minimum periods of 15 years (in the cases of the Marshall Islands and the FSM) or 50 years (in the case of Palau).

The United States would provided agreed amounts of grant financial assistance and certain Federal programs and services, for the same minimum periods. Forty percent of the grant funding (which in turn is the major part of the Compact funding) would be earmarked for economic development, a provision which the Administration believes would give each of the three states a reasonable chance of achieving economic self-sufficiency.

The basic relationship of free association would be indefinite in duration, subject to termination by mutual agreement or by the unilateral action of any of the governments. The economic and defense provisions described above would be subject to renegotiation and renewal at the end of their specified minimum periods.

The Compact's funding scheme provides for the diminution of U.S. grant assistance after the 5th and 10th years, but on the other hand a system of partial adjustment for inflation tied to the performance of the U.S. domestic economy would help to maintain the value of the funding over the years.

The estimated cost of the United States over the initial 15-year period would be approximately $2.2 billion before adjustment for inflation. Funding for Palau during the 16th through 50th years would be provided entirely out of an initial investment of $60 million made during the first year.

This figure of $2.2 billion over 15 years compares with a projected cost of $3.1 billion for continuing the Trusteeship over the same period, assuming that the same kinds of programs now in operation in the Trust Territory were to continue. Because a number of specific Compact grants would be funded in the first 2 or 3 years of free association, there would be no saving in those years. From the 4th year onward, however, the annual savings would begin to accrue.

The Compact and its subsidiary agreements provide that the United States will continue to provide the services of the Federal Aviation Administration, the Civil Aeronautics Board, the National Weather Service, and, in the event of natural disasters, of the Federal Emergency Management Agency. In addition, the United States Postal Service would continue to provide international postal service, although as the result of a modification negotiated just this year each of the three governments would assume responsibility for its domestic postal operations. The costs of these services are included in the figures mentioned above.

Returning for a moment to defense matters in more detail, the Compact and its subsidiary agreements would permit the United States to continue to operate the Kwajalein Missile Range for a period of up to 30 years and would provide us contingency use-rights in Palau for military purposes: specifically, a small exclusive-use area and a larger, adjacent non-exclusive use area for military training; joint use of two existing airfields; and use of a portion of the harbor. It should be stressed that these are contingency rights and that the United States has no present intention to establish military facilities in Palau. There is no comparable reservation of use rights in the FSM.

In addition, the United States undertakes in the Compact to defend the Freely Associated States as the United States and its citizens are defended for the minimum period mentioned earlier: 15 years in the cases of the Marshall Islands and the FSM, and 50 years in the case of Palau. For the same minimum periods the United States would have the right, after consultation, to disapprove any action by any of the governments which in our view compromised our ability to provide such defense.

Further, the United States under the Compact has the right to foreclose use of the territory of the Freely Associated States by the military forces, or for the military purposes of, any third nation. That right would extend in each jurisdiction until otherwise mutually agreed, and in return the United States would for the same period guarantee the defense of each of the states on basis comparable to that which underlies our mutual security agreements with our closest allies. The intent of this provision is to ensure that the territory of Micronesia may never again be used for purposes of aggression against the United States, or against the Micronesians themselves, as it was in World War II.

Other agreements subsidiary to the Compact of Free Association deal with such matters as telecommunications, extradition, the turnover of Federal property to the Micronesian governments, the status of U.S. forces who may be stationed in Micronesia (including personnel at Kwajalein and the Military Civic Action Teams which now operate in Palau and three of the four states of the FSM), and other technical matters.

### SPECIAL NEGOTIATING ISSUES

The constitution adopted by the electorate of Palau in July 1980 contained three provisions which, if literally applied, would have made it impossible for the United States to enter into free association with Palau. They concerned the banning of nuclear, chemical, biological and other substances; a very extensive claim of maritime sovereignty which would have brought Palau into conflict with neighboring states; and the use of the right of eminent domain by the Government of Palau. The Palauan Constitution itself provides remedies for the first two of those issues, which have been resolved through signed agreements related to the Compact. The third issue is resolved in the agreement on Military Use and Operating Rights, whose contingency use provisions are summarized above. (An Administration position paper attached to this outline treats these issues in greater detail.)

In the case of the Marshall Islands, the Compact undertakes to make a comprehensive settlement of all claims arising out of the nuclear testing program which the United States conducted at Bikini and Enewetak Atolls in the northern Marshalls from 1946 to 1958, as well as to meet the intent of existing U.S. legislation on medical treatment of the persons affected by the program and to continue to provide supplemental food to them for a number of years. The subsidiary agreement to this effect provides about $150 million in payments and programs and, if approved in the Marshalls and funded by the Congress, would also have the effect of mooting about $7 billion in claims against the United States and its contractors now pending in the Federal courts. The Administration regards the signed agreement as entirely satisfactory, but President Kabua of the Marshalls has proposed revisions to it. I am leaving Washington tomorrow to meet with him, members of his staff, and some of the affected people and their legal representatives to try to reach agreement on a revision of this agreement. It is the only major piece of unfinished business in the negotiations.

### THE APPROVAL PROCESS

The Compact provides that it must be approved by the three Micronesian governments in accordance with their constitutional processes (which includes action by their legislatures) and by their voters in a plebiscite.

The original intention was to hold the plebiscite simultaneously in all three jurisdictions, but this eventually proved impossible because of the differing pace of their respective negotiations with us. We have therefore acceded to the idea of different dates. The first plebiscite will take place in Palau on Tuesday, January 11. We hope that plebiscites can follow soon after in both the Marshall Islands and the FSM—certainly within the first few months of 1983.

In each jurisdiction there will be a voter information program leading up to the plebiscite. The program in Palau began in early September and is going full tilt. I saw it in operation when I was there a few weeks ago. The organizers of the program are using public meetings, published materials including translations of the Compact into Palauan and two other local languages, and daily radio and television broadcasts to inform the voters of the issues before them.

The plebiscite in Palau, and those to follow in the other two jurisdictions, will be acts of self-determination to which we will want to point with pride when we approach the United Nations about terminating the Trusteeship. We and the Micronesian negotiators agreed long ago that the United Nations should be invited to observe the plebiscites (as it did the plebiscite on the Northern Marianas Covenant in 1975). Accordingly, we have asked for a brief special session of the U.N. Trusteeship Council at which we can present our formal request for the dispatch of all three plebiscite observer missions. That session will begin in New York next Thursday, December 16.

The other portion of the approval process will take place here in Washington, when the Administration presents the Compact to the Congress for consideration. We intend to present it as a Joint Resolution for enactment as a Public Law of the United States, which is the same way the Northern Marianas Covenant was presented and approved. Majority approval of both Houses would be required, for the Compact will constitute a multi-year authorization and will amend numerous domestic laws. The Compact would thus be an Executive-Congressional Agreement and contain international obligations.

We expect to submit the Compact early in the life of the 98th Congress, although we realize that the relevant Committees may choose to give it no more than preliminary consideration until the voters of Micronesia have spoken in the plebiscites. We consider the Compact's path through the Congress to be a matter entirely within the purview of the Senate and the House of Representatives, respectively.

### 5. TERMINATING THE TRUSTEESHIP

The 1947 Trusteeship Agreement prescribes no procedures for its own termination, and there is no real precedent in U.N. practice because this one is the only strategic trusteeship ever established. Ultimate responsibility for it therefore rests with the Security Council, whereas in the cases of the other ten trusteeships—all now terminated—the body with ultimate responsibility was the General Assembly. Like the GA, the Security Council has (under Article 83(3) of the U.N. Charter) availed itself for the assistance of the Trusteeship Council in overseeing our administration of the Trusteeship.

To date we have said only that we will take up the matter of termination with the appropriate United Nations bodies—the Trusteeship and Security Councils—at the appropriate time. We will decide our precise course of action closer to the event.

There has been much speculation over the years that our attempt to terminate the Trusteeship might be frustrated by a veto in the Security Council. We believe that no nation or group of nations could in good conscience object to, or attempt to obstruct, the free exercise of the right of self-determination by the peoples of the Trust Territory. In the exercise of our responsibility as Administering Authority under the Trusteeship Agreement, we will seek to prevent procedural maneuvers aimed at obstructing the realization of that right.

---

## United States Position With Regard to Negotiations With the Republic of Palau for the Political Status of Free Association

### I. DEVELOPMENT OF SELF-GOVERNMENT IN TRUST TERRITORY OF THE PACIFIC ISLANDS (TTPI)

The United States administers the Trust Territory of the Pacific Islands (TTPI) under a United Nations Trusteeship and is responsible for promoting the political, economic, educational and social development of the people of the TTPI.

The United States has encouraged the formation of constitutional governments by the peoples of all parts of the TTPI—the Marshall Islands, the Federated States of Micronesia and Palau. The Northern Mariana Islands has also established a constitutional government within the framework of a negotiated commonwealth covenant. The constitutions of the Marshall Islands and Federated States of Micronesia have been in effect since 1979, and the Palau Constitution went into effect on January 1, 1981.

Each of these constitutions was drafted by a constitutional convention which was locally elected pursuant to a law enacted by the local legislature and approved by the United States High Commissioner of the TTPI. Each constitution was then adopted in a referendum observed by the United Nations Trusteeship Council.

### II. THE POLITICAL STATUS NEGOTIATIONS

The peoples and governments of Palau, the Marshall Islands and the Federated States of Micronesia have indicated that they strongly desire to terminate the trusteeship and consider themselves ready for the responsibilities of self-government. To accomplish this objective, which the U.S. Government shares, the political status negotiations were initiated in the early 1970's. In the negotiations, the Micronesian representatives have sought a self-governing future political status which would be acceptable in the international community and would balance U.S. security and defense requirements with their desire for sovereignty and self-government. They have also recognized that predictable levels of U.S. economic assistance are requisite to their economic development. The negotiators for Palau, the Marshall Islands and the Federated States of Micronesia have consistently held that the basic principles of their future political status and their future relationship with the United States should be that:

Sovereignty in Palau, the Marshall Islands and the Federated States of Micronesia resides in these peoples and their duly constituted governments;

The peoples of Palau, the Marshall Islands and the Federated States of Micronesia possess the right of self-determination and may choose independence or self-government in free association with another nation;

The peoples of Palau, the Marshall Islands and the Federated States of Micronesia have the right to adopt their own respective constitutions and to amend, change or revoke those constitutions or government plans at any time; and

Free association should be in the form of a revocable compact, terminable unilaterally by either party.

These objectives and those of the United States were established in the "Agreed Principles of Free Association," which were adopted by the Micronesian and United States representatives on April 9, 1978, and have now been set forth in the Compact of Free Association.

The Compact of Free Association with Palau, the Marshall Islands and the Federated States of Micronesia was initialed by all the parties in October and November 1980. In addition to initialing the Compact, the President-elect of Palau initialed three agreements related to the Compact which, if approved by the people of Palau, will in the view of the United States effectively overcome those points of incompati-

bility between Palau's Constitution and the Compact. These points are discussed in greater detail in Section IV, below.

Ambassador Fred Zeder, for the United States, and Ambassador Lazarus Salii, for Palau, on August 26, 1982, signed the Compact which when approved by the people of Palau, will govern relations between their two countries for a period of 50 years.

### III. COMPACT OF FREE ASSOCIATION

The Compact will establish a new political status known as "Free Association," which has no precise precedent either in international practice or in U.S. constitutional law. The Compact contemplates assumption by the Governments of Palau, the Marshall Islands, and the Federated States of Micronesia of authority and responsibility for their internal and foreign affairs. The United States would exercise plenary security and defense authority, and the Micronesian governments would refrain from actions which the United States, after consultation with those governments, determined to be incompatible with its security and defense authority. Through the Compact and its nine subsidiary agreements, Palau will, over the 50-year period, receive approximately $1 billion, with about 40 percent of the money earmarked for economic development. The balance will be used for the completion and maintenance of Palau's public-works infrastructure and for the operation of government programs designed to improve the health, education and welfare of the islanders. Tax and trade advantages are incorporated in the Compact to stimulate American investment and private-sector growth.

The economic and security provisions of the Compact with Palau are designed to run for 50 years, with a U.S. security pledge running much longer. The political relationship of Free Association has no fixed termination date and would continue in effect until terminated by agreement or unilaterally. A freely associated state therefore could become independent, or seek a closer relationship with the United States, by terminating the Free Association relationship through a plebiscite demonstrating that such was the freely expressed will of the people.

Two other components of the Trust Territory are also in the process of negotiating free association with the United States. The United States and the Marshall Islands and the Federated States of Micronesia (FSM) have signed the Compact and are now working out final details of the approval process. The Compact's economic and security provisions applicable to the Marshall Islands and the FSM generally run for 15 years but are subject to extension by mutual agreement.

### IV. THE PALAU CONSTITUTION; ITS DEVELOPMENT AND PROVISIONS

The Palau legislative act establishing the Palau constitutional convention mandated the convention to draft a constitution which would "make allowance for the establishment of Free Association with the United States of America." By the time the constitutional convention was convened, negotiations between the United States and the Palau Political Status Commission—the official body charged with representing Palau on political status matters—were already far advanced and the outlines of a compact establishing a relationship of free association between the United States and Palau, as well as each of the other emerging states of the Trust Territory, were clearly visible.

The constitution which came into effect in 1981 contains three provisions incompatible with the Compact of Free Association. The United States considered these issues of such importance that it could not agree to enter into free association with Palau unless the incompatibilities were resolved. The question of whether and how to do this, however, was for Palau alone to decide. If the Palauans concluded that they did not wish to eliminate the incompatibility between their constitution and the Compact of Free Association, the U.S. Government was willing to accept that decision and negotiate an alternative arrangement with them for the termination of the Trusteeship. Palau has always been free to pursue a different course in the negotiations; the people of Palau have still before them a choice of accepting or rejecting the Compact of Free Association.

The three items of incompatibility can be summarized as follows:

1. The Palau Constitution asserts an archipelagic claim to *sovereignty and jurisdiction* over water lying between the widely scattered islands of Palau and out to a 200-mile limit measured from baselines connecting the outer limits of those islands.

The United States did not object to an assertion by the people of Palau of *jurisdiction* extending to the internal waters, territorial seas, fisheries zone and continental shelf as recognized in international law. Palau's widely scattered islands are separated by as much as 160 miles of open ocean. By failing to distinguish between claims of jurisdiction and of territory, however, Palau's Constitution established a

territorial claim which embraces certain islands belonging to Indonesia and which conflicts with other nations' claims to 200-mile resource or fisheries zones, e.g., Papua-New Guinea, Indonesia, Philippines.

These issues have been the subject of extensive negotiations at the United Nations Conference on the Law of the Sea. That Conference in 1982 adopted a convention establishing 12-mile territorial seas and a limited archipelagic concept which, once in effect, would apply only to the closely linked core islands of Palau, and not to its widely scattered outer islands.

The United States could not, therefore, enter into free association with Palau given the archipelagic claim articulated in its constitution.

2. Certain other provisions of the constitution would seriously impair the defense of Palau by the United States as envisioned under the Compact of Free Association by prohibiting the introduction of nuclear and other types of weapons or materials, including nuclear-powered ships, into Palauan territory.

The Palauan people have the right to declare their land, air and sea space "nuclear-free." However, should they do this, they may not also have a relationship of free association with the United States since, under free association, the United States would be solely responsible for all matters related to the defense of Palau. A free association relationship with the United States is not a matter of right to Palau.

3. Another provision of the constitution would prevent the exercise by the Palauan Government of its power to acquire land by eminent domain for "the benefit of a foreign entity," a term which could include the United States.

In accordance with the terms of the Compact of Free Association, the United States may use land in Palau only on mutually agreed terms. The constitutional provision, however, cast serious doubt on the ability of the Palauan national government to fulfill the terms of its land-use agreement with the United States.

## V. THE AGREEMENTS SIGNED WITH PALAU

As noted above, representatives of Palau and the United States have signed, together with the Compact, three related agreements which will remove the incompatibilities which stood in the way of the implementation of a Free Association relationship. These subsidiary agreements address, respectively, military use and operating rights; marine sovereignty and jurisdiction; and radiation, chemical and biological substances.

1. The agreement on marine sovereignty would in effect supersede the Palauan Constitution's broad archipelagic claim. Palau recognized that the last clause of the first sentence of Article I, Section 1 of its constitution allows a redefinition of its claims by means of an international agreement. Therefore, in this agreement Palau reasserts its jurisdiction to the full extent permitted by international law and extends this redefined claim to the benefit of all other states. By this simple mechanism, Palau would withdraw all previous claims which were inconsistent with international law and incompatible with the Compact.

2. The limits imposed on U.S. defense activities by the "nuclear-free" provision of the Palau Constitution, if broadly interpreted, would have prevented the use of x-ray machines or radium-dial watches. Under the terms of the related agreement on this subject, the United States agrees not to test nuclear weapons and informs Palau that it has no intention of disposing of or storing nuclear waste in Palau or its claimed waters. The agreement also states that, in accordance with its international treaty obligations and United States Public Law, the United States has renounced the use of biological weapons and destroyed its stockpiles. Accordingly, biological weapons could not be stored in Palau.

While the Compact and the associated agreement on radioactive, chemical, and biological substances would permit the storage or nuclear or chemical weapons in Palau under specified conditions and rigorous safeguards, the Government of the United States has repeatedly informed the Government of Palau that no plans exist for such storage. The authority granted the United States to bring such weapons into, or transit them through, Palau is necessary if the United States is to meet its responsibilities for the defense of Palau and its world-wide defense commitments, should the need to do so ever arise.

In accordance with the Palauan Constitution, the subsidiary agreement on nuclear-related matters will require approval by a three-fourths majority vote, in contrast to the Compact and the other agreements which will require only a simple majority.

3. Under Military Use and Operating Rights Agreement, the United States has the right to make contingency use of various land areas in Palau, after consultation with the Government of Palau. These rights, which will run for a period of 50 years, cover the following areas:

Malakal Harbor—access to a 40-acre area and anchorage rights in the harbor and adjacent waters;

Airai Airfield (Babelthuap Island) and Angaur Airfield (Angaur Island)—joint use and improvement of the airfields and access to a 65-acre area adjoining each airfield for aircraft parking, maintenance, and operational support facilities;

Babelthuap Island—exclusive use of 2,000 acres for logistic installations;

Babelthuap Island—non-exclusive use for military training of 30,000 acres adjacent to the 2,000-acre area mentioned above. Use of this training area by U.S. forces would be on a part-time basis, and the specific areas to be used within the 30,000-acre area would be negotiated with the Government of Palau prior to its use. Any use by the United States would be carried out so as not to interfere with the economic development plans and programs which Palau will adopt for the entire area.

VI. THE STEPS REMAINING TO ACCOMPLISH TRUSTEESHIP TERMINATION

There now remain a series of steps to be carried out by which the negotiated documents will ultimately be approved: a voter information program; a plebiscite in Palau, under United Nations observation; action by the Palauan Government in accordance with its constitutional processes; and approval by both Houses of the United States Congress. A similar process is being followed in the Marshall Islands and the Federated States of Micronesia. Subsequent to these steps, the United States will take the necessary actions in the United Nations to terminate the Trusteeship.

VII. SUMMARY

The United States Government recognizes the right of the people of Palau to chart their own political destiny. While they have expressed a preference for Free Association, the negotiated Compact accords them the right to opt unilaterally at any time for independence or any other alternative political status.

The record of the political status negotiations demonstrates that the United States has made no attempt to interfere with the Palauan people's right of self-determination. The Compact and its subsidiary agreements must now be approved by the Palauan people in the plebiscite which will be observed by representatives of the United Nations and by the Palauan legislative.

The United States is conscious of its role and responsibility as Administering Authority of the TTPI. A major responsibility is to foster self-government and the constitutional institutions on which it will rest. Hence, throughout the involved process by which the Palauan people and their elected representatives wrote and adopted a constitution, the Unites States has consistently supported the actions of Palau even though some specific provisions of that constitution were incompatible with the concept of Free Association then already under negotiation between Palau and the United States.

Senator HAYAKAWA. Thank you very much, Mr. Ambassador. This really does not have any precedent in our history, does it, the kind of arrangements that we are setting up of free association? Now, when you say that they are having a plebiscite, and that there will be a vote on all of this in which the people of Palau, for example, are getting voter information in Palauan and in two other local languages, and presumably also in English, they will be informed as to the nature of this free association, is that the idea? And they will either consent or not consent to enter into this free association with the United States of America?

Ambassador ZEDER. Yes, Mr. Chairman. The education program that is going on in Palau right now is designed to make sure that the people fully understand what they are voting on. We have had reports back from members of our staff and people who have been out there recently that the people know more about the sections, the individual sections, articles, and conditions of this Compact than you could believe.

They have taken it very seriously. They are studying it. They are asking intelligent questions. There is an organized program going

out to the outer islands, too, informing even the people of the most remote islands, so that when they go into the polling booths on January 11, they will know what they are voting on.

Senator HAYAKAWA: That is when the voting takes place, January 11?

Ambassador ZEDER. In Palau, yes.

[NOTE.—This date was subsequently changed to February 10.]

Senator HAYAKAWA. What is the level of literacy there?

Ambassador ZEDER. Very high. I would imagine it is 80 or 90 percent. They had a 95-percent voter turnout the last time, and I assume that everyone was able to read what they were voting on. The literacy is very high all through the islands.

Senator HAYAKAWA. Literacy in native languages, or in English, or both?

Ambassador ZEDER. In both, Mr. Chairman. The Compact and the materials in this educational program are translated into the languages of the islands. As I mentioned earlier, in the case of the Federated States, there are nine different languages. In total, there are about 12 different languages spoken throughout Palau, the Marshalls, and Micronesia.

Senator HAYAKAWA. And with the introduction of writing, did they adopt the Roman alphabet, that is, our own alphabet?

Ambassador ZEDER. They use the English alphabet in their translations.

Senator HAYAKAWA. Good. I am going to quote a paragraph from the September 3, 1982, Washington Post on living conditions in the Marshalls. It says:

> About 2,000 Americans who work on the Missile Range live with their families on Kwajalein, the atoll's largest island, which is equipped with modern office and laboratory buildings, a hotel, commercial airport, golf course, and recreational facilities. Two miles away, across the water, about 7,000 Marshallese live on Ebeye, a 65-acre island with unpaved streets, an open burning dump, and polluted water.

Would you comment on that?

Ambassador ZEDER. Yes, sir. I think they pronounce it Ebeye. I believe there are about 8,000 people out there, and it is a terrible slum. About 10 percent of the people on Ebeye work for the missile range. They work at a salary level that is considerably above the average that is paid throughout Micronesia. That is in accordance with a congressional directive. I believe it was Representative Patsy Mink who put that through a number of years ago.

Their wage level has to equal the U.S. level, which is $3.35 an hour. As a result, there have been extended families coming into Ebeye, and an island that started off with 600 people now has about 8,000. There are paved roads there, and a lot of taxicabs. A lot of people just ride around the island all day long in taxicabs, but it is a terrible slum, and we have been trying to figure out what to do with it for years. I made my first visit there in 1975 when I was Director of Territories under the Ford administration. When I go back, there does not seem to have been too much progress made.

However, we are hopeful that under the Compact of Free Association we will be able to make some progress toward cleaning that place up. There is funding under the lease agreement that the Defense Department has with the Government of the Marshall Is-

lands that is earmarked for improvements in Ebeye, and it certainly is called for. The situation on Ebeye is a disgrace.

Senator HAYAKAWA. Do the islands of the trust territory have any prospects for developing self-sustaining economies? What is the status of, for example, agriculture, fishing?

Ambassador ZEDER. Mr. Chairman, unfortunately, their interest in agriculture has gone down over the years. As a matter of fact, back before World War II, Micronesia was often referred to as the breadbasket of Japan, and they did raise a lot of crops, and they had a lot of their own gardens, and so forth.

But under the trusteeship people prefer, evidently, to go to the store and buy produce that comes in from outside, from California and New Zealand, and Australia and so forth, and they have lost their desire for farming.

There is great fishing all through the area. I think fishing would take the lead in any type of industry that might develop there. Again, unfortunately, not too many of the Micronesians themselves are engaged in fishing. They usually sell the fishing rights to Japan or to other outsiders who come in. There is a processing plant award by Van Camp in Palau, but most of the fishing is done by others.

I think there is a misconception often about the Micronesians' interest in fishing. They like to fish in their lagoons, but they are not very interested in going out into the heavy seas and fishing.

As far as their economy is concerned, it is interesting that in the Compact 40 percent of the funding that the United States is providing for them over the coming years is to be used for economic development, and I think a lot of that will go into improving their opportunities in mining the sea and into other types of projects, some in tourism. Hotels are going to be going up in various areas.

And so, there is, I believe, some long-range prospect for self-sufficiency if the funds are properly applied to economic development projects that have an opportunity to succeed. There is some prospect in copra, for example. They do some business in copra, but it is not significant.

Prior to the war, a trading firm in Japan headed by a gentleman by the name of Mr. Kuribayashi, who was one of the top people in the Japanese Government, was responsible for all activities on islands outside of the mainland of Japan. A number of years ago he was kind enough to give me an analysis of what the islands were doing on their own prior to the war.

And there was an industry with a volume that, if you would convert it from yen into dollars and update it to today, would be over $1 billion. Most of the bauxite for the aluminum that went into Japanese airplanes was mined in Palau, and so forth.

So, the Micronesians have some history of aggressiveness in economic development projects and business projects, but it has kind of died out over the last 35 years.

Senator HAYAKAWA. Why have they reverted to a kind of dependency in place of the energy and agriculture and other enterprises that they used to engage in?

Ambassador ZEDER. Well, there is no reason for people in the islands really to go to work at 9 o'clock in the morning and quit at 5. They have their schools. The educational system is provided by the

United States. So is hospitalization. Food is not a big problem. There are plenty of fish in the lagoons. It is not a disgrace to be unemployed. And the United States has provided for their needs over the last 35 years, so there is not a real need to be industrious, as we would think of it in the United States.

Senator HAYAKAWA. Do we spoil people around the world when we get a chance?

Ambassador ZEDER. I do not know whether that is true. It certainly changed their lifestyle, or it has changed. Oddly enough, I have heard people discuss the days when the Japanese were there and refer to them as "the good old days." I do not know whether that is true or not. I do not think that is generally felt.

It is going to be interesting under the Compact of Free Association, now that funds are going to go to these islands in grant form, and the people will have much more opportunity to develop themselves without the restrictions, if you will, or without the guidance of the United States under the trusteeship.

So, if again they properly utilize the percentage of these funds that are being provided to them, I think you will see a lot more industry out there, particularly in Palau.

Senator HAYAKAWA. What is the view of the Defense Department, Mr. Ambassador, concerning the kind of military and defense links the islands should have with the United States after their political status, free association, has been established?

Ambassador ZEDER. Mr. Chairman, we work, of course, very closely with the Defense Department. As a matter of fact, about half of my staff is from the Defense Department. I believe the Defense Department is in complete accord with the provisions of the Compact, and Defense has cooperated with us very well during the drafting, not only the drafting of it but the negotiation of it.

One of the basics of this entire exercise is our defense posture in the Pacific. Again, I believe the Defense Department is very happy with the arrangements that have been spelled out in the Compact.

Senator HAYAKAWA. Do they themselves supply military personnel?

Ambassador ZEDER. Yes, sir, the Defense Department does, to my staff.

Senator HAYAKAWA. Let me invite your staff also to make comments on these questions if they feel the urge to do so.

Ambassador ZEDER. I think what Mr. Teare was saying is that your question was probably directed more to whether the Navy or the Defense Department has people on the islands? Is that your question?

Senator HAYAKAWA. The question is whether, for example, in Palau or the Marshalls and so on, do they have their own military force?

Ambassador ZEDER. No, they do not, sir.

Senator HAYAKAWA. They do not?

Ambassador ZEDER. No.

Senator HAYAKAWA. So any defense agreements that we make with them depend upon our defense forces and our weapons.

Ambassador ZEDER. Yes, sir. They have a police force, but they do not have any military personnel.

Senator HAYAKAWA. So how do the political leaders of the four main island groups of the trust territory view our future defense links? For example, do they have the right to veto new defense construction?

Ambassador ZEDER. Well, the answer to that is yes and no. In the case of Palau for example, we have a subsidiary agreement that permits the United states to conduct military exercises—jungle warfare maneuvers, for example—as we do in Hawaii and other places around the world on certain acreage that is set aside for it.

As far as the United States taking any action that is outside the provisions of the Compact as it stands now, yes, they would have a veto.

Senator HAYAKAWA. Do young men in the trust territories ever enlist in the American Armed Forces?

Ambassador ZEDER. Yes, sir.

Senator HAYAKAWA. They do?

Ambassador ZEDER. Yes, sir. As a matter of fact——

Senator HAYAKAWA. They are welcome to enlist?

Ambassador ZEDER. They are welcomed, and they are very loyal U.S. supporters. I believe that Guam, for example, which is not in the trust territory itself, but is indicative of the attitude of some of the islanders, has, on a percentage basis, a very large percentage of eligible people in the military service. It is one of the highest in the world, as I understand.

Senator HAYAKAWA. And they make pretty good soldiers, do they?

Amabassador ZEDER. I understand they do; yes.

Senator HAYAKAWA. Sir, did you want to make a comment?

Mr. TEARE. Mr. Chairman, I think that the Ambassador answered the second part of your question. I am not sure that we properly or fully covered the first part of the question, which was the attitude of the island leaders toward defense arrangements. I think it is correct to say that their own signature of the Compact and their acceptance of the defense arrangements that we have worked out indicates an understanding on their part, or certainly on the part of the more farsighted among them, that they do need to have some provision for their national defense, and at the same time a realization that they cannot afford military establishments of their own.

Senator HAYAKAWA. May I have your name for the record?

Mr. TEARE. Yes, sir. Richard Teare. I am the Ambassador's deputy.

And so I think that it is with those considerations in mind that they have agreed to the arrangements in the Compact under which the United States will provide for their defense for many years into the future.

Senator HAYAKAWA. Good. Thank you.

Mr. TEARE. Thank you, Mr. Chairman.

Senator HAYAKAWA. Given the problems and apparent opposition of the Marshall Islanders to continued U.S. missile testing at Kwajalein, is the Pentagon considering any options for phasing out its use of Kwajalein in favor of some alternative?

Ambassador ZEDER. Mr. Chairman, most of the opposition I think you are referring to was a sit-down strike or a sail-in that occurred

over a number of months and which has since been settled amicably, and there is no problem there at the present time.

As for the use of Kwajalein over a long period of time for missile testing, I do not believe I am qualified to respond to that. I know that it is an important facility for the United States at the present time, but as to what the state-of-the-art in missiles will be in the future and whether or not that would make obsolete that lagoon where we conduct the test over the next 30 years is a question that I think that we would have to try to have answered by people at the Defense Department who are a little more expert in that than I would be.

It is interesting, however, that in the strike one of the objections that the Kwajalein people had was a provision I had signed with their government to allow the United States to use that for a period of 50 years. The Defense Department agreed to cut that back to 30 years. Whether that has any bearing on how they foresee the future, I do not know.

Senator HAYAKAWA. I do not intend to keep you too long, because I have another briefing to go to on a subject relating to another part of the world, namely, Lebanon, at 11 o'clock, but I will wind up with a couple of short questions.

What is the administration's plan for further consultation with Congress about this relationship between the trust territories and the United States, and what are your plans for obtaining congressional and U.N. approval of these Compacts, and what opposition are you likely to encounter?

In other words, what are the political problems of getting everything into place?

Ambassador ZEDER. Yes, sir. Well, Mr. Chairman, we are planning to spend as much time as we can with the Senate and with the House because this Compact requires approval. As I mentioned earlier, it is a three-step process, the first step being the will of the people and the plebiscite, and then the Congress of the United States, and then the United Nations. I do not really anticipate any great problem with the Congress.

I think it would be difficult for anybody to deny people their choice of relationship or how they are going to conduct their lives. This is a free and open plebiscite where they will be able to vote on these matters, and if the vote is overwhelming for the type of relationship that the Compact establishes with the United States, I think it would be difficult for any legislative body here in this country to object to it.

I do see some possibility at the United Nations of the Soviets perhaps objecting to our relationship just because they seem to object to everything.

Senator HAYAKAWA. Of course, they will accuse us of colonialism again.

Ambassador ZEDER. Yes. Well, it is quite the opposite of that, actually. It would be a hard argument for them to make, I think, when the people say they want free association as opposed to what the Soviet Union has described as colonialism in the past, which of course it is not.

Senator HAYAKAWA. I have one further question for you concerning costs, which I would like to have answered for the record, and which will be published.

[The information referred to follows:]

THE PRESIDENT'S PERSONAL REPRESENTATIVE
FOR MICRONESIAN STATUS NEGOTIATIONS,
*Washington, D.C., December 21, 1982.*

HON. S. I. HAYAKAWA,
*Chairman, Subcommittee on East Asian and Pacific Affairs, Committee on Foreign Relations, U.S., Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: I appreciated very much the opportunity to brief the Subcommittee on East Asian and Pacific Affairs on December 10 and was most gratified to hear of your satisfaction with the information conveyed at the briefing. We plan to accept your advice and invitation and will make contact with your successor as chairman of the Subcommittee to continue the flow of information and the practice of consultation during the 98th Congress.

At the conclusion of the briefing, you presented a written question from Subcommittee staff which I would like to answer for the record in this letter. The question was:

"I am told that in the Compact and the subsidiary agreements, there are a variety of costs. Some are simple authorizations, some are backed by full faith and credit. Some are specific dollar figures and some are projects or programs and one subsidiary is an investment. You have mentioned many of these this morning. Could you provide a detailed breakdown of all costs, with your estimate of the ultimate cost and what the maximum possible exposure of the United States is on a worst/case basis?"

Enclosed with this letter is a table which shows the costs to the United States, in terms of U.S. outlays, under the Compact of Free Association and all of its subsidiary agreements. The table should be read with the following points of explanation:

The table assumes that the Compact will come into effect at the beginning of fiscal year 1984. If that commencement date is delayed, there will be increased cost to the United States due to the method by which the inflation adjustment provision operates. No increase would be involved, however, in the base amounts which are shown in the table.

As footnote 1 states, the amounts listed in the current account (government operations and recurrent costs) and the capital account (construction programs, economic development and revenue projects) are subject to a limited inflation adjustment using 1981 as the base year and calculated according to annual percentage changes in the United States Gross National Product Implicit Price Deflator. The maximum amount of any one year's adjustment factor is seven percent.

The Compact carries a pledge of the full faith and credit of the United States with respect to all funding contained in Article I of Title Two of the Compact. In the table, that funding appears as the current and capital accounts, the Palau investment account, the Marshall Islands Kwajalein impact funding and the funding associated with Compact Sections 213(a). All other funding will be authorized by approval of the Compact, but its subsequent appropriation by Congress would not be guaranteed and the governments of the freely associated states would not have access to U.S. courts to recover such funding if it were not appropriated. Of the total base amounts shown in the table, approximately sixty-seven percent is subject to the full-faith-and-credit guarantee.

Under the "Federal Programs" category, the amounts shown in support of Compact Section 221(a) are estimates of the cost to the United States of administering the Federal services enumerated in Compact Section 221(a). The amounts shown in support of Compact Section 221(b) represent annual block grants to the freely associated states for health and education. Amounts shown in support of Compact Section 223 are estimates of the cost to the United States of support payments for higher education.

The amounts shown for the years 1999 and 2000 represent the payments which the United States would make pursuant to Compact Section 231(b) in the event that renegotiation of the terms of the Compact were to continue into the sixteenth and seventeenth years after its effective date.

The Palau investment account is a one-time payment (in terms of U.S. outlays) which will be invested in accordance with the terms of the Section 211(a)(2) subsidiary agreement. Proceeds from this investment will constitute Palau's current and capital account grants for the sixteenth through fiftieth years of the free association relationship. There is no comparable provision for the Marshall Islands or the Fed-

erated States of Micronesia; in their cases, United States economic assistance is provided for an initial fifteen-year term.

The base cost to the United States over the first fifteen years of the relationship will be $2.201 billion. Any additional costs would have to be agreed by the United States in the event the terms of the Compact are extended beyond fifteen years for the Marshall Islands and the Federated States of Micronesia. The Compact's terms run for fifty years with Palau, but all United States funding obligations are discharged during the first fifteen years. Not included in the table or the total cost figure is an estimate for inflation adjustment which is tied to performance of the U.S economy. If the Administration's mid-summer 1982 economic assumptions and estimates are used, the approximate value of additional inflation adjustment payments over the fifteen-year period is $400 million. One might say, therefore, that this amount, when added to the Compact base costs shown in the table, would constitute the "worst case-basis" referred to in the Subcommittee's question.

I would be pleased to provide additional information or further explanation of the attached table to the members and staff of the Subcommittee. In the meantime, I should like to record once again my appreciation for the opportunity you afforded me to brief the Subcommittee on the Compact of Free Association and the negotiations for the future political status of Micronesia.

Sincerely,

FRED M. ZEDER II,
*Ambassador.*

Enclosure: Compact of Free Association funding table.

## COMPACT OF FREE ASSOCIATION—U.S. ECONOMIC ASSISTANCE TO PALAU, THE MARSHALL ISLANDS, AND THE FEDERATED STATES OF MICRONESIA

[In millions of dollars]

| | Fiscal years— | | | | | | | | | | | | | | | Total | Fiscal year 1999 | Fiscal year 2000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | | | |
| Palau: | | | | | | | | | | | | | | | | | | |
| Current account | 8.65 | 9.15 | 9.15 | 9.15 | 9.15 | 9.15 | 9.15 | 9.15 | 9.15 | 9.15 | 8.15 | 8.15 | 8.15 | 8.15 | 8.15 | 132.5 | | |
| Capital account | 36.0 | | | | | | | | | | | | | | | 36.0 | | |
| Investment account | 60.0 | | | | | | | | | | | | | | | 60.0 | | |
| Subtotal | 104.7 | 9.15 | 9.15 | 9.15 | 9.15 | 9.15 | 9.15 | 9.15 | 9.15 | 9.15 | 8.15 | 8.15 | 8.15 | 8.15 | 8.15 | 228.5 | | |
| Marshall Islands: | | | | | | | | | | | | | | | | | | |
| Current account | 18.9 | 17.9 | 17.9 | 17.9 | 17.9 | 15.6 | 15.6 | 15.6 | 15.6 | 15.6 | 13.8 | 13.8 | 13.8 | 13.8 | 13.8 | 237.5 | 15.8 | 15.8 |
| Capital account | 10.5 | 10.5 | 10.5 | 10.5 | 10.5 | 8.8 | 8.8 | 8.8 | 8.8 | 8.8 | 7.6 | 7.6 | 7.6 | 7.6 | 7.6 | 134.5 | 9 | 9 |
| Kwajalein impact | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 28.5 | 1.9 | 1.9 |
| Subtotal | 31.3 | 30.3 | 30.3 | 30.3 | 30.3 | 26.3 | 26.3 | 26.3 | 26.3 | 26.3 | 23.3 | 23.3 | 23.3 | 23.3 | 23.3 | 400.5 | 26.7 | 26.7 |
| FSM: | | | | | | | | | | | | | | | | | | |
| Current account | 42.6 | 39.6 | 39.6 | 39.6 | 39.6 | 34.6 | 34.6 | 34.6 | 34.6 | 34.6 | 27.6 | 27.6 | 27.6 | 27.6 | 27.6 | 512.0 | 34.1 | 34.1 |
| Capital account | 24 | 25 | 25 | 25 | 25 | 21 | 21 | 21 | 21 | 21 | 17 | 17 | 17 | 17 | 17 | 314.0 | 21 | 21 |
| Subtotal | 66.6 | 64.6 | 64.6 | 64.6 | 64.6 | 55.6 | 55.6 | 55.6 | 55.6 | 55.6 | 44.6 | 44.6 | 44.6 | 44.6 | 44.6 | 826.0 | 55.1 | 55.1 |
| Special categories: | | | | | | | | | | | | | | | | | | |
| Section 177(b) | 43.1 | 26.8 | 10.6 | 10.6 | 40.6 | 7.6 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 148.3 | | |
| Section 213(b) | 5.5 | | | | | | | | | | | | | | | 5.5 | | |
| Section 213(c) | .16 | | | | | | | | | | | | | | | .16 | | |
| Section 216 | 10.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 94.0 | 6.1 | 6.1 |
| Federal programs: | | | | | | | | | | | | | | | | | | |
| Section 221(a) | 9.8 | 10.6 | 12.0 | 13.5 | 15.0 | 16.5 | 18.0 | 19.5 | 21.0 | 22.5 | 24.0 | 25.5 | 27.0 | 28.5 | 30.0 | 293.4 | | |
| Section 221(b) | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 180.0 | | |
| Section 223 | 10.0 | 7.5 | 5.0 | 2.5 | | | | | | | | | | | | 25.0 | | |
| Subtotal | 90.6 | 62.9 | 45.6 | 44.6 | 73.6 | 42.1 | 37.0 | 38.5 | 40.0 | 41.5 | 43.0 | 44.5 | 46.0 | 47.5 | 49.0 | 746.4 | 6.1 | 6.1 |
| Total | 293.2 | 167.0 | 149.7 | 148.7 | 177.7 | 133.2 | 128.1 | 129.6 | 131.1 | 132.6 | 119.1 | 120.6 | 122.1 | 123.6 | 125.1 | 2,201.4 | 87.9 | 87.9 |

[1] An inflation adjustment will apply to both the current and capital account and will be calculated according to the method set forth in Compact section 217 using performance statistics and assumptions for the U.S. gross national product implicit price deflator

Senator HAYAKAWA. In conclusion, I would like to thank you very much, Ambassador Zeder. I feel I have learned a lot in the last 50 minutes. We have begun the process of exchange of information between the executive and legislative branches, and I do not feel to the same degree I did 1 hour ago that this whole area is something of a blank in my mind as it is in the minds of many of my fellow citizens on the continent here.

Though I shall not be here in the next Congress, I encourage you to continue this consultation process so that your negotiating efforts will come to fruition. I am sure you will receive a warm welcome from my successor, whoever that may be, and I would suggest that you get in touch with the new chairman early in the next Congress to make arrangements for the next step in the consultative process, bearing in mind that each Senator has his own interests and concerns.

I wish you well in carrying out President Reagan's wise policy in this very important area of the world.

If there is no further business to come before the Subcommittee on East Asian and Pacific Affairs, the subcommittee will stand adjourned, to meet at the call of the new chairman in the 98th Congress.

Thank you very much.

[Whereupon, at 10:50 a.m., the subcommittee adjourned, subject to call of the Chair.]

○